

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JANUARY 23, 2001**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, January 23, 2001 commencing at 7:00 a.m.

A. ROLL CALL

Present: Council Members – Hitchcock, Howard and Land

Absent: Council Members – Pennino and Mayor Nakanishi

Also Present: City Manager Flynn, City Attorney Hays and City Clerk Blackston

Due to the absence of the Mayor and Mayor Pro Tempore a motion was made by Council Member Land, Howard second, to nominate Council Member Hitchcock to conduct the order of business. The motion was carried by the following vote:

Ayes: Council Members – Hitchcock, Howard and Land

Noes: Council Members – None

Absent: Council Members – Mayor Nakanishi and Mayor Pro Tempore Pennino

B. CITY COUNCIL CALENDAR UPDATE

City Clerk Blackston reviewed the weekly calendar (filed).

Introduction

Wally Sandelin, City Engineer, introduced recently hired Charlie Swimley, Senior Civil Engineer who has been assigned to the east side infrastructure reconstruction and rehabilitation projects.

C. TOPIC(S)

C-1 "Budget Policies"

NOTE: Item C-1 was rescheduled to the next regularly scheduled Shirtsleeve Session.

C-2 "Presentation regarding GASB34"

Finance Director McAthie introduced Steve DeVetter, Partner, and Marvin Dozier and Mike Martin, Senior Managers from KPMG.

Steve DeVetter stated that the Governmental Accountings Standards Board (GASB) is the organization that sets accounting rules for governmental organizations. The GASB issued a new standard in June 1999, which laid out a new framework for financial reporting for governmental organizations. The Board's objective with this new standard was to establish a framework that resulted in greater accountability by state and local agencies in providing more information to a wider range of financial statement users (i.e. citizens, councils, creditors, etc.).

With the aid of overheads (filed) Mike Martin reported that the "government wide perspective" described in GASB34 presents the government as a whole. He explained that under governmental funds the primary focus was on current assets and liabilities, with long term assets and liabilities presented in the account groups. Under the new reporting model at the government wide perspective the account groups are eliminated and fixed assets, as well as all of the long-term debt, is rolled into the financial statements.

In reply to Council Member Hitchcock, Mr. Martin stated that the fixed assets would be depreciated. Under GASB34, infrastructure (e.g. roads, bridges, and buildings) is capitalized in the government wide statements and depreciated. There is an option called the "modified approach", however, Mr. Martin noted that most governments are going to use the depreciation methodology because of the burdensome disclosure requirements under the modified approach.

Mr. Martin explained that in the fund perspective fixed asset additions are expensed in capital projects/governmental funds. For the government wide perspective assets are capitalized. GASB34 requires that a reconciliation be done between the two perspectives. This will mean a fundamental shift in how things are accounted for. GASB34 has given both the government wide statements and fund statements equal weight. Mr. Martin reported that most governments are going to stay with the fund perspective in terms of accounting for their assets and liability. At the end of the year they would then convert that over to an accrual basis of accounting and be able to produce the government wide statements. This conversion provides the reconciled items that must be disclosed on the face.

In response to Council Member Land, City Manager Flynn stated that accounting for capital assets will require a major effort. It may take an investment in staff, and/or a consultant to identify and book all the assets the City has.

Mr. Martin explained that infrastructure, and any large addition, or capital outlay that occurred after 1980 to present must be capitalized. For Lodi, GASB34 goes into effect in fiscal year 2003, however, to get the necessary opening balances the standards of GASB34 will need to be applied beginning July 1, 2002.

Council Member Land commented that the initial investment to get the inventory of assets cost the City of Tracy \$50,000 and the City of Corona \$41,000.

City Manager Flynn pointed out that GASB is not part of the federal government, it is a board of accountants. He warned that there may be negative implications in choosing not to comply with the standards of GASB34 when it comes to dealing with other agencies, borrowing money, paying back loans, etc.

Mr. Martin stated that GASB34 also requires the reporting of Management Decision Analysis (MDA). The MDA is a comparison of how well the city is doing this year vs. last year, this year vs. budget, and the government wide statement vs. the fund statement.

Marvin Dozier stated that at the government wide reporting level there are two financial statements: 1) statement of net assets, and 2) statement of net activities. The fund financial statement on the second perspective will include major governmental and enterprise funds, as well as fiduciary activities (e.g. pension fund).

Ms. McAthie pointed out the difficulty involved changing the formats of all the statements, keeping two sets of books, preparing two transmittal letters, and ensuring that the information is not overlapped. It may require the purchase of software, and hiring a consultant to do the inventory.

Mr. Martin recommended that the City raise their capitalization threshold. He commented that the Federal Government recently increased the threshold that they would allow for federal grant programs to \$5,000.

City Manager Flynn explained that staff would be coming back to Council with a recommendation regarding GASB34.

Council Member Land outlined three important elements in the process: 1) careful planning, 2) staff training, and 3) allocating the necessary resources.

Council Member Howard stated that the information currently being reported by the Finance Department is very thorough and she was not convinced that the requirements of GASB34 were necessary. She asked for further explanation of its purpose and value.

Mr. Martin answered indirectly, stating that the policy issues are most important, i.e. how the raw data is translated into meaningful information for citizens, council, and creditors. He concluded by stating that the GASB34 standard was developed over a period of ten years and it is extremely controversial and complex.

D. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

E. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at approximately 8:13 a.m.

ATTEST:

Susan J. Blackston
City Clerk

Mayor's & Council Member's Weekly Calendar

WEEK OF JANUARY 23, 2001

Tuesday, January 23, 2001

7:00 a.m. Shirtsleeve Session

1. Budget Policies
2. Presentation regarding GASB34

Reminder Land. 2001 NCPA Strategic Planning Workshop, Sacramento, January 23 - 25, 2001.

Wednesday, January 24, 2001

Reminder Land. 2001 NCPA Strategic Planning Workshop, Sacramento, January 23 - 25, 2001.

Thursday, January 25, 2001

Reminder Land. 2001 NCPA Strategic Planning Workshop, Sacramento, January 23 - 25, 2001.

Reminder Hitchcock. LCC Employee Relations Institute, Monterey.

5:30 - 7:30 p.m. San Joaquin County WorkNet's grand opening and ribbon cutting or the Tracy WorkNet Center.

6:00 p.m. Land and Hitchcock. CVD Quarterly Dinner meeting, Modesto. Dinner at 6:00 p.m., Program at 7:00 p.m.

Friday, January 26, 2001

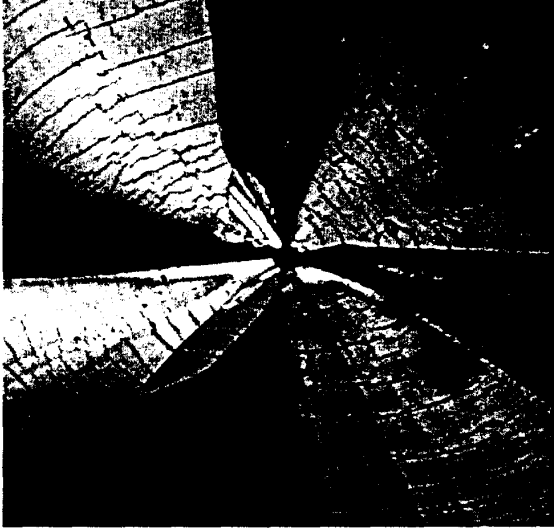
Saturday, January 27, 2001

Sunday, January 28, 2001

Monday, January 29, 2001



Overview of GASB 34



Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments

Presented by

Steve DeVetter, Partner

Marvin Dozier, Senior Manager

Mike Martin, Senior Manager

PUBLIC SECTOR PRACTICE



Discussion Points

- What's new?
- Implementation timeline
- Basics of the new model
- Review of the financial statements



What's New?

- Major fund reporting
- Interfund eliminations
- Fiduciary reporting
- Applicable FASBs
- Direct method-cash flows
- No more account groups
- Reconciliation of MFBAs
- And more . . .
- Two different MFBAs
- MD&A
- Budgetary reporting
- Infrastructure reporting
- Depreciation
- Maintenance preservation
- Full accrual accounting
- Net program activity

Implementation Timeline

Revenues of
greater than
\$100 MM

Periods
beginning after
June 15, 2001

Revenues of less
than \$100 MM
but greater than
\$10 MM

Periods
beginning after
June 15, 2002

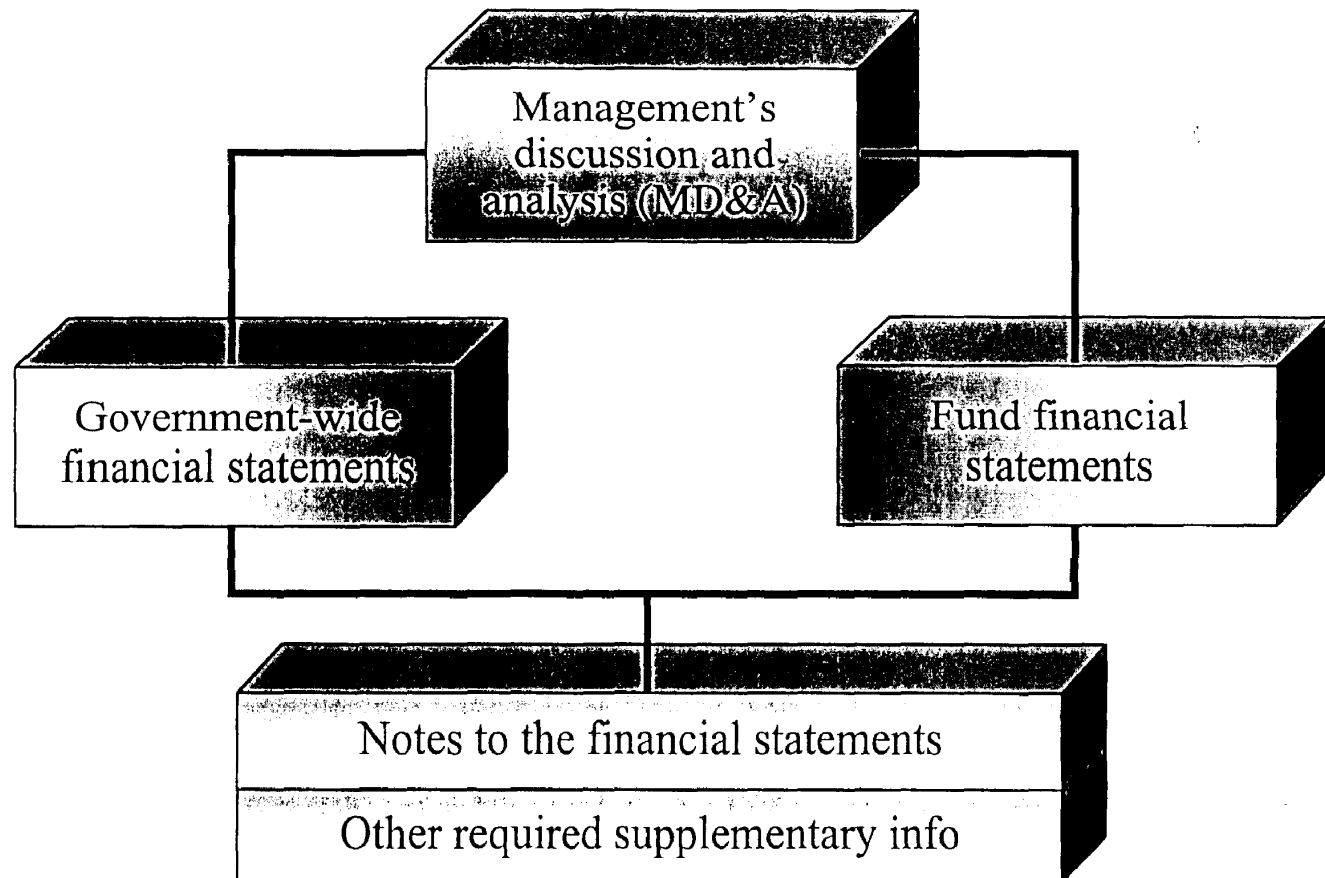
Revenues of less
than \$10 MM

Periods
beginning after
June 15, 2003

Infrastructure Reporting

- Prospective reporting required at the effective date of Statement
- Retroactive infrastructure reporting required for infrastructure assets that were acquired or significantly reconstructed, or that received significant improvements, in fiscal years ending after June 30, 1980.

New GAAP Reporting Structure



Government-Wide Reporting

- Basic Statements
 - Statement of Net Assets
 - Statement of Activities
- MFBA
 - Economic resources measurement focus
 - Accrual basis of accounting

Government-Wide Reporting

- Separate columns for:
 - governmental and business type activities
 - primary government and discretely presented component units
- Fiduciary activity are excluded
 - resources not available to finance government's programs

Fund Financial Statements

Reporting includes

- Major governmental and enterprise funds
- Include blended component units
- Fiduciary funds, and discretely presented fiduciary activity

Fund Financial Statements

Governmental fund statements (emphasizing major funds)

- general fund
- special revenue funds
- capital project funds
- debt service funds
- permanent funds

Fund Financial Statements

- Proprietary fund statements include
 - internal service funds
 - major enterprise funds
- Fiduciary funds and similar component units
 - Pension trust funds
 - Investment trust funds
 - Private-purpose trusts
 - Agency funds

Fund Statements MFBA

- Proprietary and Fiduciary Funds
 - economic resources measurement focus
 - accrual basis of accounting
- Governmental Funds
 - current financial resources
 - modified accrual basis of accounting

Notes to Financial Statements

A single set of notes should provide information that is *essential* to a user's understanding of the basic financial statements.

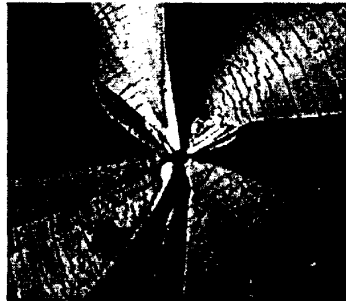
RSI

Required supplementary information (RSI) now includes:

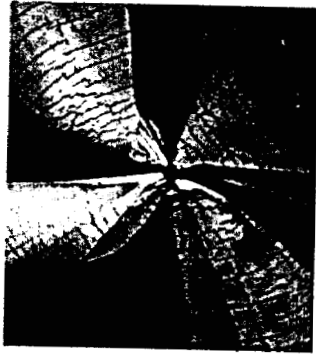
- MD&A
- Budgetary comparison
- Modified approach for reporting infrastructure
- Other data based on previous GASBs (e.g. pensions)

Elements of MD&A

- Explanation of the two perspectives
- Condensed, comparative government-wide financial statements — analysis of changes
- Analysis of differences between original and revised budget and between actual and final budget
- Description of capital asset and long-term debt activity
- Discussion of whether financial position has improved or deteriorated



Review of Basic Financial Statements



Questions & Answers

Sample City
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2002

G-1

<div style="border: 1px solid black; padding: 5px; display: inline-block;"> The variance column is optional. </div>		Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget Positive (Negative)
		Original	Final		
Budgetary fund balance, January 1	\$	3,528,750	\$ 2,742,799	\$ 2,742,799	\$ —
Resources (inflows):					
Property taxes		52,017,833	51,853,018	51,173,436	(679,582)
Franchise taxes		4,546,209	4,528,750	4,055,505	(473,245)
Public service taxes		8,295,000	8,307,274	8,969,887	662,613
Licenses and permits		2,126,600	2,126,600	2,287,794	161,194
Fines and forfeitures		718,800	718,800	606,946	(111,854)
Charges for services		12,392,972	11,202,150	11,374,460	172,310
Grants		6,905,898	6,571,360	6,119,938	(451,422)
Sale of land		1,355,250	3,500,000	3,476,488	(23,512)
Miscellaneous		3,024,292	1,220,991	881,874	(339,117)
Interest received		1,015,945	550,000	552,325	2,325
Transfers from other funds		939,525	130,000	129,323	(677)
Amounts available for appropriation		96,867,074	93,451,742	92,370,775	(1,080,967)
Charges to appropriations (outflows)					
General government:					
Legal		665,275	663,677	632,719	30,958
Mayor, legislative, city manager		3,058,750	3,192,910	2,658,264	534,646
Finance and accounting		1,932,500	1,912,702	1,852,687	60,015
City clerk and elections		345,860	354,237	341,206	13,031
Employee relations		1,315,500	1,300,498	1,234,232	66,266
Planning and economic development		1,975,600	1,784,314	1,642,575	141,739
Public safety:					
Police		19,576,820	20,367,917	20,246,496	121,421
Fire department		9,565,280	9,559,967	9,559,967	—
Emergency medical services		2,323,171	2,470,127	2,459,866	10,261
Inspections		1,585,695	1,585,695	1,533,380	52,315
Public works:					
Public works administration		388,500	385,013	383,397	1,616
Street maintenance		2,152,750	2,233,362	2,233,362	—
Street lighting		762,750	759,832	759,832	—
Traffic operations		385,945	374,945	360,509	14,436
Mechanical maintenance		1,525,685	1,272,696	1,256,087	16,609
Engineering services:					
Engineering administration		1,170,650	1,158,023	1,158,023	—
Geographical information system		125,625	138,967	138,967	—
Health and sanitation:					
Garbage pickup		5,756,250	6,174,653	6,174,653	—
Cemetery:					
Personal services		425,000	425,000	422,562	2,438
Purchases of goods and services		299,500	299,500	283,743	15,757
Culture and recreation:					
Library		985,230	1,023,465	1,022,167	1,298
Parks and recreation		9,521,560	9,786,397	9,756,618	29,779
Community communications		552,350	558,208	510,361	47,847
Nondepartmental:					
Miscellaneous		—	259,817	259,817	—
Contingency		2,544,049	—	—	—
Transfers to other funds		2,970,256	2,163,759	2,163,759	—
Funding for school district		22,000,000	22,000,000	21,893,273	106,727
Total charges to appropriations		93,910,551	92,205,681	90,938,522	1,267,159
Budgetary fund balance, December 31	\$	2,956,523	\$ 1,246,061	\$ 1,432,253	\$ 186,192

filed 1-23-01



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Basic Financial Statements – and Management's Discussion
and Analysis – for State and Local Governments

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- Basics of the new model

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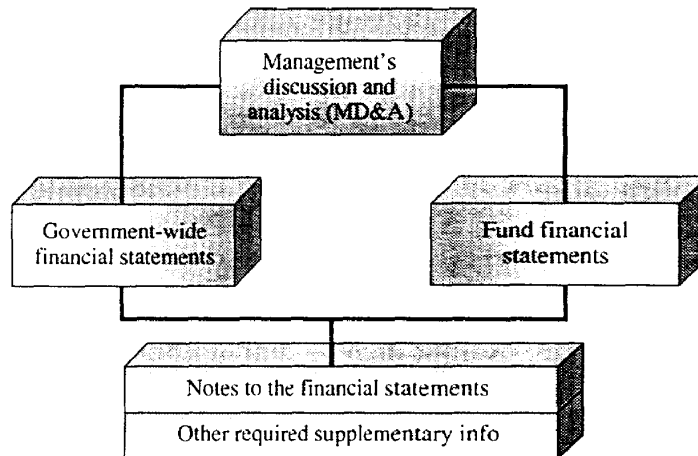
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- Modified approach for reporting infrastructure
- Other data based on previous GASBs (e.g. pensions)

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Questions & Answers

**Sample City
Statement of Net Assets
December 31, 2002**

A-1

Alternatively, the internal balances could be reported on separate lines as assets and liabilities. A notation would need to be added to inform the reader that the "Total" column is adjusted for those amounts (see I-1).

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 13,597,899	\$ 10,279,143	\$ 23,877,042	\$ 303,935
Investments	27,365,221	—	27,365,221	7,428,952
Receivables (net)	12,833,132	3,609,615	16,442,747	4,042,290
Internal balances	175,000	(175,000)	—	—
Inventories	322,149	126,674	448,823	83,697
Capital assets, net (Note 1)	170,022,760	151,388,751	321,411,511	37,744,786
Total assets	<u>224,316,161</u>	<u>165,229,183</u>	<u>389,545,344</u>	<u>49,603,660</u>
LIABILITIES				
Accounts payable	6,783,310	751,430	7,534,740	1,803,332
Deferred revenue	1,435,599	—	1,435,599	38,911
Noncurrent liabilities (Note 2):				
Due within one year	9,236,000	4,426,286	13,662,286	1,426,639
Due in more than one year	83,302,378	74,482,273	157,784,651	27,106,151
Total liabilities	<u>100,757,287</u>	<u>79,659,989</u>	<u>180,417,276</u>	<u>30,375,033</u>
NET ASSETS				
Invested in capital assets, net of related debt	103,711,386	73,088,574	176,799,960	15,906,392
Restricted for:				
Capital projects	11,705,864	—	11,705,864	492,445
Debt service	3,020,708	1,451,996	4,472,704	—
Community development projects	4,811,043	—	4,811,043	—
Other purposes	3,214,302	—	3,214,302	—
Unrestricted (deficit)	(2,904,429)	11,028,624	8,124,195	2,829,790
Total net assets	<u>\$ 123,558,874</u>	<u>\$ 85,569,194</u>	<u>\$ 209,128,068</u>	<u>\$ 19,228,627</u>

Net assets restricted for capital projects includes approximately \$13 million of capital debt for which the proceeds have not yet been used to construct capital assets.

**Sample City
Statement of Net Assets
December 31, 2002**

A-2

Alternatively, the internal balances could be reported on separate lines as assets and liabilities. A notation would need to be added to inform the reader that the "Total" column is adjusted for those amounts (see I-1).

ASSETS

Current assets:

Cash and cash equivalents

Investments

Receivables (net)

Internal balances

Inventories

Total current assets

Noncurrent assets:

Restricted cash and cash equivalents

Capital assets (Note 1):

Land and infrastructure (see G-5)

Depreciable buildings, property, and equipment

Total noncurrent assets

Total assets

LIABILITIES

Current liabilities:

Accounts payable

Deferred revenue

Current portion of long-term obligations (Note 2)

Total current liabilities

Noncurrent liabilities:

Noncurrent portion of long-term obligations (Note 2)

Total liabilities

NET ASSETS

Invested in capital assets, net of related debt

Restricted for:

Capital projects

Debt service

Community development projects

Other purposes

Unrestricted (deficit)

Total net assets

Total liabilities and net assets

	Primary Government		Component Units
	Governmental Activities	Business-type Activities	
			Total
\$ 13,597,899	\$ 8,785,821	\$ 22,383,720	\$ 303,935
27,365,221	—	27,365,221	7,428,952
12,833,132	3,609,615	16,442,747	4,042,290
175,000	(175,000)	—	—
322,149	126,674	448,823	83,697
54,293,401	12,347,110	66,640,511	11,858,874
—	1,493,322	1,493,322	—
118,620,361	34,788,333	153,408,694	751,239
51,402,399	116,600,418	168,002,817	36,993,547
170,022,760	152,882,073	322,904,833	37,744,786
\$ 224,316,161	\$ 165,229,183	\$ 389,545,344	\$ 49,603,660
\$ 6,783,310	\$ 751,430	\$ 7,534,740	\$ 1,803,332
1,435,599	—	1,435,599	38,911
9,236,000	4,426,286	13,662,286	1,426,639
17,454,909	5,177,716	22,632,625	3,268,882
83,302,378	74,482,273	157,784,651	27,106,151
100,757,287	79,659,989	180,417,276	30,375,033
103,711,386	73,088,574	176,799,960	15,906,392
11,705,864	—	11,705,864	492,445
3,020,708	1,451,996	4,472,704	—
4,811,043	—	4,811,043	—
3,214,302	—	3,214,302	—
(2,904,429)	11,028,624	8,124,195	2,829,790
123,558,874	85,569,194	209,128,068	19,228,627
\$ 224,316,161	\$ 165,229,183	\$ 389,545,344	\$ 49,603,660

Net assets restricted for capital projects includes approximately \$13 million of capital debt for which the proceeds have not yet been used to construct capital assets (see paragraph 33).

Sample City
Statement of Activities
For the Year Ended December 31, 2002

B-2

Indirect expenses are presented in a separate column to enhance comparability (of direct expenses by function) between governments that allocate indirect expenses and those that do not.

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Assets			Component Units
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary government:									
Governmental activities:									
General government	\$ 9,571,410	\$ (5,580,878)	\$ 3,146,915	\$ 843,617	\$ —	\$ —	\$ —	\$ —	\$ —
Public safety	34,844,749	4,059,873	1,198,855	1,307,693	62,300	(36,335,774)	—	(36,335,774)	—
Public works	10,128,538	3,264,380	850,000	—	2,252,615	(10,290,303)	—	(10,290,303)	—
Engineering services	1,299,645	111,618	704,793	—	—	(706,470)	—	(706,470)	—
Health and sanitation	6,738,672	558,088	5,612,267	575,000	—	(1,109,493)	—	(1,109,493)	—
Cemetery	735,866	55,809	212,496	—	—	(579,179)	—	(579,179)	—
Culture and recreation	11,532,350	1,858,966	3,995,199	2,450,000	—	(6,946,117)	—	(6,946,117)	—
Community development	2,994,389	1,740,265	—	—	2,580,000	(2,154,654)	—	(2,154,654)	—
Education (payment to school district)	21,893,273	—	—	—	—	(21,893,273)	—	(21,893,273)	—
Interest on long-term debt	6,068,121	(6,068,121)	—	—	—	—	—	—	—
Total governmental activities	105,807,013	\$ 0	15,720,525	5,176,310	4,894,915	(80,015,263)	—	(80,015,263)	—
Business-type activities:									
Water	3,595,733	—	4,159,350	—	1,159,909	—	1,723,526	1,723,526	—
Sewer	4,912,853	—	7,170,533	—	486,010	—	2,743,690	2,743,690	—
Parking facilities	2,796,283	—	1,344,087	—	—	—	(1,452,196)	(1,452,196)	—
Total business-type activities	11,304,869	—	12,673,970	—	1,645,919	—	3,015,020	3,015,020	—
Total primary government	\$ 117,111,882	—	\$ 28,394,495	\$ 5,176,310	\$ 6,540,834	(80,015,263)	3,015,020	(77,000,243)	—
Component units:									
Landfill	\$ 3,382,157	—	\$ 3,857,858	\$ —	\$ 11,397	—	—	—	487,098
Public school system	31,186,498	—	705,765	3,937,083	—	—	—	—	(26,543,650)
Total component units	\$ 34,568,655	—	\$ 4,563,623	\$ 3,937,083	\$ 11,397	—	—	—	(26,056,552)
General revenues:									
Taxes:									
Property taxes, levied for general purposes						51,693,573	—	51,693,573	—
Property taxes, levied for debt service						4,726,244	—	4,726,244	—
Franchise taxes						4,055,505	—	4,055,505	—
Public service taxes						8,969,887	—	8,969,887	—
Payment from Sample City						—	—	—	21,893,273
Grants and contributions not restricted to specific programs						1,457,820	—	1,457,820	6,461,708
Investment earnings						1,958,144	601,349	2,559,493	881,763
Miscellaneous						884,907	104,925	989,832	22,464
Special item—gain on sale of park land						2,653,488	—	2,653,488	—
Transfers						501,409	(501,409)	—	—
Total general revenues, special items, and transfers						76,900,977	204,865	77,105,842	29,259,208
Change in net assets						(3,114,286)	3,219,885	105,599	3,202,656
Net assets—beginning						126,673,160	82,349,309	209,022,469	16,025,971
Net assets—ending						\$ 123,558,874	\$ 85,569,194	\$ 209,128,068	\$ 19,228,627

Sample City
Statement of Activities
For the Year Ended December 31, 2002

B-2

**Sample City
Balance Sheet
Governmental Funds
December 31, 2002**

C-1

	General	HUD Programs	Debt Service Funds	Community Redevelopment	Route 7 Construction	Other Governmental Funds (See H-1)	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 3,418,485	\$ 1,236,523	##	\$ —	\$ —	\$ 5,606,792	\$ 10,261,800
Investments	—	—	##	13,262,695	10,467,037	3,485,252	27,214,984
Receivables, net	3,644,561	2,953,438	—	353,340	11,000	10,221	6,972,560
Due from other funds	1,370,757	—	—	—	—	—	1,370,757
Receivables from other government	—	119,059	—	—	—	1,596,038	1,715,097
Liens receivable	791,926	3,195,745	—	—	—	—	3,987,671
Inventories	182,821	—	—	—	—	—	182,821
Total assets	\$ 9,408,550	\$ 7,504,765	#	\$ 13,616,035	\$ 10,478,037	\$ 10,698,303	\$ 51,705,690
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 3,408,680	\$ 129,975	##	\$ 190,548	\$ 1,104,632	\$ 1,074,831	\$ 5,908,666
Due to other funds	—	25,369	—	—	—	—	25,369
Payable to other governments	94,074	—	—	—	—	—	94,074
Deferred revenue	4,250,430	6,273,045	—	250,000	11,000	—	10,784,475
Total liabilities (Note 2)	7,753,184	6,428,389	##	440,548	1,115,632	1,074,831	16,812,584
Fund balances:							
Reserved for:							
Inventories	182,821	—	—	—	—	—	182,821
Liens receivable	791,926	—	—	—	—	—	791,926
Encumbrances	40,292	41,034	##	119,314	5,792,587	1,814,122	7,807,349
Debt service	—	—	—	—	—	3,832,062	3,832,062
Other purposes	—	—	—	—	—	1,405,300	1,405,300
Unreserved, reported in:							
General fund	640,327	—	—	—	—	—	640,327
Special revenue funds	—	1,035,342	—	—	—	1,330,718	2,366,060
Capital projects funds	—	—	—	13,056,173	3,569,818	1,241,270	17,867,261
Total fund balances	1,655,366	1,076,376	##	13,175,487	9,362,405	9,623,472	34,893,106
Total liabilities and fund balances	\$ 9,408,550	\$ 7,504,765	#	\$ 13,616,035	\$ 10,478,037	\$ 10,698,303	

Amounts reported for governmental activities in the statement of net assets (A-1) are different because (see Note 4, also):

Explanations of the reconciling amounts need not be as detailed as the ones illustrated here. In some cases, detailed explanations on the face of the statements may eliminate the need for further descriptions in the notes. On the other hand, long, complicated explanations on the statement may distract the users' attention from the other information presented. Preparers should weigh the advantages of eliminating the need for users to refer to the notes against the possible disadvantage of overloading the statement with information. In some situations, however, additional disclosure of reconciling items is required, as discussed in paragraph 77.

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

161,082,708

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

9,348,876

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets (see D-1).

2,994,691

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (see Note 4a).

(84,760,507)

Net assets of governmental activities

\$ 123,558,874

The reconciliation could be presented on an accompanying page, rather than on the face of the statement. (See the separate reconciliation example in C-3.)

Sample City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2002

C-2

	General	HUD Programs	Community Redevelopment	Route 7 Construction	Other Governmental Funds (See H-2)	Total Governmental Funds
REVENUES						
Property taxes	\$ 51,173,436	\$ —	\$ —	\$ —	\$ 4,680,192	\$ 55,853,628
Franchise taxes	4,055,505	—	—	—	—	4,055,505
Public service taxes	8,969,887	—	—	—	—	8,969,887
Fees and fines	606,946	—	—	—	—	606,946
Licenses and permits	2,287,794	—	—	—	—	2,287,794
Intergovernmental	6,119,938	2,578,191	—	—	2,830,916	11,529,045
Charges for services	11,374,460	—	—	—	30,708	11,405,168
Investment earnings	552,325	87,106	549,489	270,161	364,330	1,823,411
Miscellaneous	881,874	66,176	—	2,939	94	951,083
Total revenues	86,022,165	2,731,473	549,489	273,100	7,906,240	97,482,467
EXPENDITURES						
Current:						
General government	8,630,835	—	417,814	16,700	121,052	9,186,401
Public safety	33,729,623	—	—	—	—	33,729,623
Public works	4,975,775	—	—	—	3,721,542	8,697,317
Engineering services	1,299,645	—	—	—	—	1,299,645
Health and sanitation	6,070,032	—	—	—	—	6,070,032
Cemetery	706,305	—	—	—	—	706,305
Culture and recreation	11,411,685	—	—	—	—	11,411,685
Community development	—	2,954,389	—	—	—	2,954,389
Education—payment to school district	21,893,273	—	—	—	—	21,893,273
Debt service:						
Principal	—	—	—	—	3,450,000	3,450,000
Interest and other charges	—	—	—	—	5,215,151	5,215,151
Capital outlay	—	—	2,246,671	11,281,769	3,190,209	16,718,649
Total expenditures	88,717,173	2,954,389	2,664,485	11,298,469	15,697,954	121,332,470
Excess (deficiency) of revenues over expenditures	(2,695,008)	(222,916)	(2,114,996)	(11,025,369)	(7,791,714)	(23,850,003)
OTHER FINANCING SOURCES (USES)						
Proceeds of refunding bonds	—	—	—	—	38,045,000	38,045,000
Proceeds of long-term capital-related debt	—	—	17,529,560	—	1,300,000	18,829,560
Payment to bond refunding escrow agent	—	—	—	—	(37,284,144)	(37,284,144)
Transfers in	129,323	—	—	—	5,551,187	5,680,510
Transfers out	(2,163,759)	(348,046)	(2,273,187)	—	(219,076)	(5,004,068)
Total other financing sources and uses	(2,034,436)	(348,046)	15,256,373	—	7,392,967	20,266,858
SPECIAL ITEM						
Proceeds from sale of park land	3,476,488	—	—	—	—	3,476,488
Net change in fund balances (see C-3)	(1,252,956)	(570,962)	13,141,377	(11,025,369)	(398,747)	(106,657)
Fund balances—beginning	2,908,322	1,647,338	34,110	20,387,774	10,022,219	34,999,763
Fund balances—ending	\$ 1,655,366	\$ 1,076,376	\$ 13,175,487	\$ 9,362,405	\$ 9,623,472	\$ 34,893,106

The reconciliation of the net change in fund balances of governmental funds to the change in net assets in the statement of activities is presented in an accompanying schedule on the next page (see C-3).

Sample City
**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2002**

C-3

Net change in fund balances—total governmental funds (from C-2) \$ (106,657)

Amounts reported for *governmental activities* in the statement of activities (B-1) are different because (see Note 5, also):

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

14,039,717

In the statement of activities, only the *gain* on the sale of the park land is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the land sold.

(823,000)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

1,920,630

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments (see Note 5a).

(16,140,416)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(1,245,752)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities (see D-3).

(758,808)

Change in net assets of governmental activities (see B-1)

\$ (3,114,286)

The reconciliation could be presented on the face of the statement, rather than on a separate page. (See the reconciliation in C-1.)

Sample City
Statement of Net Assets
Proprietary Funds
December 31, 2002

D-1

This statement illustrates the "net assets" format; the "balance sheet" format also is permitted (see D-2). Classification of assets and liabilities is required in either case.

	Business-type Activities— Enterprise Funds			Governmental Activities— Internal Service Funds (See H-3) (Note 4)
	Water and Sewer	Parking Facilities	Totals	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 8,416,653	\$ 369,168	\$ 8,785,821	\$ 3,336,099
Investments	—	—	—	150,237
Receivables, net	3,564,586	3,535	3,568,121	157,804
Due from other governments	41,494	—	41,494	—
Inventories	126,674	—	126,674	139,328
Total current assets	12,149,407	372,703	12,522,110	3,783,468
Noncurrent assets:				
Restricted cash and cash equivalents	—	1,493,322	1,493,322	—
Capital assets:				
Land	813,513	3,021,637	3,835,150	—
Distribution and collection systems	39,504,183	—	39,504,183	—
Buildings and equipment	106,135,666	23,029,166	129,164,832	14,721,786
Less accumulated depreciation	(15,328,911)	(5,786,503)	(21,115,414)	(5,781,734)
Total noncurrent assets	131,124,451	21,757,622	152,882,073	8,940,052
Total assets	143,273,858	22,130,325	165,404,183	12,723,520
LIABILITIES				
Current liabilities:				
Accounts payable	447,427	304,003	751,430	780,570
Due to other funds	175,000	—	175,000	1,170,388
Compensated absences	112,850	8,827	121,677	237,690
Claims and judgments	—	—	—	1,687,975
Bonds, notes, and loans payable	3,944,609	360,000	4,304,609	249,306
Total current liabilities	4,679,886	672,830	5,352,716	4,125,929
Noncurrent liabilities:				
Compensated absences	451,399	35,306	486,705	—
Claims and judgments	—	—	—	5,602,900
Bonds, notes, and loans payable	54,451,549	19,544,019	73,995,568	—
Total noncurrent liabilities	54,902,948	19,579,325	74,482,273	5,602,900
Total liabilities	59,582,834	20,252,155	79,834,989	9,728,829
NET ASSETS				
Invested in capital assets, net of related debt	72,728,293	360,281	73,088,574	8,690,746
Restricted for debt service	—	1,451,996	1,451,996	—
Unrestricted	10,962,731	65,893	11,028,624	(5,696,055)
Total net assets	\$ 83,691,024	\$ 1,878,170	\$ 85,569,194	\$ 2,994,691

Even though internal service funds are classified as proprietary funds, the nature of the activity accounted for in them is generally governmental. By reporting internal service funds separately from the proprietary funds that account for business-type activities, the information in the "Totals" column on this statement flows directly to the "Business-type Activities" column on the statement of net assets, and the need for a reconciliation on this statement is avoided.

Sample City
Balance Sheet
Proprietary Funds
December 31, 2002

D-2

This statement illustrates the "balance sheet" format; the "net assets" format is also permitted (see D-1). Classification of assets and liabilities is required in either case.

	Business-type Activities— Enterprise Funds			Governmental Activities— Internal Service Funds (See H-3) (Note 4)
	Water and Sewer	Parking Facilities	Totals	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 8,416,653	\$ 369,168	\$ 8,785,821	\$ 3,336,099
Investments	—	—	—	150,237
Receivables, net	3,564,586	3,535	3,568,121	157,804
Due from other governments	41,494	—	41,494	—
Inventories	126,674	—	126,674	139,328
Total current assets	<u>12,149,407</u>	<u>372,703</u>	<u>12,522,110</u>	<u>3,783,468</u>
Noncurrent assets:				
Restricted cash and cash equivalents	—	1,493,322	1,493,322	—
Capital assets:				
Land	813,513	3,021,637	3,835,150	—
Distribution and collection systems	39,504,183	—	39,504,183	—
Buildings and equipment	145,639,849	23,029,166	168,669,015	14,721,786
Less accumulated depreciation	(15,328,911)	(5,786,503)	(21,115,414)	(5,781,734)
Total noncurrent assets	<u>131,124,451</u>	<u>21,757,622</u>	<u>152,882,073</u>	<u>8,940,052</u>
Total assets	<u>\$ 143,273,858</u>	<u>\$ 22,130,325</u>	<u>\$ 165,404,183</u>	<u>\$ 12,723,520</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 447,427	\$ 304,003	\$ 751,430	\$ 780,570
Due to other funds	175,000	—	175,000	1,170,388
Compensated absences	112,850	8,827	121,677	237,690
Claims and judgments	—	—	—	1,687,975
Bonds, notes, and loans payable	3,944,609	360,000	4,304,609	249,306
Total current liabilities	<u>4,679,886</u>	<u>672,830</u>	<u>5,352,716</u>	<u>4,125,929</u>
Noncurrent liabilities:				
Compensated absences	451,399	35,306	486,705	—
Claims and judgments	—	—	—	5,602,900
Bonds, notes, and loans payable	54,451,549	19,544,019	73,995,568	—
Total noncurrent liabilities	<u>54,902,948</u>	<u>19,579,325</u>	<u>74,482,273</u>	<u>5,602,900</u>
Total liabilities	<u>59,582,834</u>	<u>20,252,155</u>	<u>79,834,989</u>	<u>9,728,829</u>
NET ASSETS				
Invested in capital assets, net of related debt	72,728,293	360,281	73,088,574	8,690,746
Restricted for debt service	—	1,451,996	1,451,996	—
Unrestricted	10,962,731	65,893	11,028,624	(5,696,055)
Total net assets	<u>83,691,024</u>	<u>1,878,170</u>	<u>85,569,194</u>	<u>2,994,691</u>
Total liabilities and net assets	<u>\$ 143,273,858</u>	<u>\$ 22,130,325</u>	<u>\$ 165,404,183</u>	<u>\$ 12,723,520</u>

Even though internal service funds are classified as proprietary funds, the nature of the activity accounted for in them is generally *governmental*. By reporting internal service funds separately from the proprietary funds that account for business-type activities, the information in the "Totals" column on this statement flows directly to the "Business-type Activities" column on the statement of net assets, and the need for a reconciliation on this statement is avoided.

Sample City
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2002

D-3

	Business-type Activities— Enterprise Funds			Governmental Activities— Internal Service Funds (See H-4) (Note 5)
	Water and Sewer	Parking Facilities	Totals	
Operating revenues:				
Charges for services	\$ 11,329,883	\$ 1,340,261	\$ 12,670,144	\$ 15,256,164
Miscellaneous	—	3,826	3,826	1,066,761
Total operating revenues	11,329,883	1,344,087	12,673,970	16,322,925
Operating expenses:				
Personal services	3,400,559	762,348	4,162,907	4,157,156
Contractual services	344,422	96,032	440,454	584,396
Utilities	754,107	100,726	854,833	214,812
Repairs and maintenance	747,315	64,617	811,932	1,960,490
Other supplies and expenses	498,213	17,119	515,332	234,445
Insurance claims and expenses	—	—	—	8,004,286
Depreciation	1,163,140	542,049	1,705,189	1,707,872
Total operating expenses	6,907,756	1,582,891	8,490,647	16,863,457
Operating income (loss)	4,422,127	(238,804)	4,183,323	(540,532)
Nonoperating revenues (expenses):				
Interest and investment revenue	454,793	146,556	601,349	134,733
Miscellaneous revenue	—	104,925	104,925	20,855
Interest expense	(1,600,830)	(1,166,546)	(2,767,376)	(41,616)
Miscellaneous expense	—	(46,846)	(46,846)	(176,003)
Total nonoperating revenue (expenses)	(1,146,037)	(961,911)	(2,107,948)	(62,031)
Income (loss) before contributions and transfers	3,276,090	(1,200,715)	2,075,375	(602,563)
Capital contributions	1,645,919	—	1,645,919	18,788
Transfers out	(290,000)	(211,409)	(501,409)	(175,033)
Change in net assets	4,632,009	(1,412,124)	3,219,885	(758,808)
Total net assets—beginning	79,059,015	3,290,294	82,349,309	3,753,499
Total net assets—ending	\$ 83,691,024	\$ 1,878,170	\$ 85,569,194	\$ 2,994,691

Even though internal service funds are classified as proprietary funds, the nature of the activity accounted for in them is generally *governmental*. By reporting internal service funds separately from the proprietary funds that account for business-type activities, the information in the "Totals" column on this statement flows directly to the "Business-type Activities" column on the statement of net assets, and the need for a reconciliation on this statement is avoided.

Sample City
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2002

D-4

	Business-type Activities— Enterprise Funds			Governmental Activities— Internal Service Funds (See H-5)
	Water and Sewer	Parking Facilities	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 11,400,200	\$ 1,345,292	\$ 12,745,492	\$ 15,326,343
Payments to suppliers	(2,725,349)	(365,137)	(3,090,486)	(2,812,238)
Payments to employees	(3,360,055)	(750,828)	(4,110,883)	(4,209,688)
Internal activity—payments to other funds	(1,296,768)	—	(1,296,768)	—
Claims paid	—	—	—	(8,482,451)
Other receipts (payments)	(2,325,483)	—	(2,325,483)	1,061,118
Net cash provided by operating activities	1,692,545	229,327	1,921,872	883,084
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating subsidies and transfers to other funds	(290,000)	(211,409)	(501,409)	(175,033)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	4,041,322	8,660,778	12,702,100	—
Capital contributions	1,645,919	—	1,645,919	—
Purchases of capital assets	(4,194,035)	(144,716)	(4,338,751)	(400,086)
Principal paid on capital debt	(2,178,491)	(8,895,000)	(11,073,491)	(954,137)
Interest paid on capital debt	(1,479,708)	(1,166,546)	(2,646,254)	41,616
Other receipts (payments)	—	19,174	19,174	131,416
Net cash (used) by capital and related financing activities	(2,164,993)	(1,526,310)	(3,691,303)	(1,264,423)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	—	—	—	15,684
Interest and dividends	454,793	143,747	598,540	129,550
Net cash provided by investing activities	454,793	143,747	598,540	145,234
Net (decrease) in cash and cash equivalents	(307,655)	(1,364,645)	(1,672,300)	(411,138)
Balances—beginning of the year	8,724,308	3,227,135	11,951,443	3,747,237
Balances—end of the year	\$ 8,416,653	\$ 1,862,490	\$ 10,279,143	\$ 3,336,099
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 4,422,127	\$ (238,804)	\$ 4,183,323	\$ (540,532)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,163,140	542,049	1,705,189	1,707,872
Change in assets and liabilities:				
Receivables, net	653,264	1,205	654,469	31,941
Inventories	2,829	—	2,829	39,790
Accounts and other payables	(297,446)	(86,643)	(384,089)	475,212
Accrued expenses	(4,251,369)	11,520	(4,239,849)	(831,199)
Net cash provided by operating activities	\$ 1,692,545	\$ 229,327	\$ 1,921,872	\$ 883,084

Note: The required information about noncash investing, capital, and financing activities is not illustrated.

Sample City
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2002

E-1

	Employee Retirement Plan	Private- Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 1,973	\$ 1,250	\$ 44,889
Receivables:			
Interest and dividends	508,475	760	—
Other receivables	6,826	—	183,161
Total receivables	<u>515,301</u>	<u>760</u>	<u>183,161</u>
Investments, at fair value:			
U.S. government obligations	13,056,037	80,000	—
Municipal bonds	6,528,019	—	—
Corporate bonds	16,320,047	—	—
Corporate stocks	26,112,075	—	—
Other investments	3,264,009	—	—
Total investments	<u>65,280,187</u>	<u>80,000</u>	<u>—</u>
Total assets	<u>65,797,461</u>	<u>82,010</u>	<u>\$ 228,050</u>
LIABILITIES			
Accounts payable	—	1,234	\$ —
Refunds payable and others	1,358	—	228,050
Total liabilities	<u>1,358</u>	<u>1,234</u>	<u>\$ 228,050</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$ 65,796,103</u>	<u>\$ 80,776</u>	

Statements of individual pension plans and external investment pools are required to be presented in the notes to the financial statements if separate GAAP statements for those individual plans or pools are not available (see paragraph 106).

Sample City
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2002

E-2

	Employee Retirement Plan	Private- Purpose Trusts
ADDITIONS		
Contributions:		
Employer	\$ 2,721,341	\$ —
Plan members	1,421,233	—
Total contributions	<u>4,142,574</u>	<u>—</u>
Investment earnings:		
Net (decrease)		
in fair value of investments	(272,522)	—
Interest	2,460,871	4,560
Dividends	1,445,273	—
Total investment earnings	<u>3,633,622</u>	<u>4,560</u>
Less investment expense	216,428	—
Net investment earnings	<u>3,417,194</u>	<u>4,560</u>
Total additions	<u>7,559,768</u>	<u>4,560</u>
DEDUCTIONS		
Benefits	2,453,047	3,800
Refunds of contributions	464,691	—
Administrative expenses	87,532	678
Total deductions	<u>3,005,270</u>	<u>4,478</u>
Change in net assets	4,554,498	82
Net assets—beginning of the year	61,241,605	80,694
Net assets—end of the year	<u>\$ 65,796,103</u>	<u>\$ 80,776</u>

Statements of individual pension plans and external investment pools are required to be presented in the notes to the financial statements if separate GAAP statements for those individual plans or pools are not available (see paragraph 106).

**Sample City
Statement of Net Assets
Component Units
December 31, 2002**

F-1

	Sample City School District	Sample City Landfill	Total
ASSETS			
Cash and cash equivalents	\$ 303,485	\$ 450	\$ 303,935
Investments	3,658,520	1,770,432	5,428,952
Receivables, net	3,717,026	325,264	4,042,290
Inventories	83,697	—	83,697
Restricted assets—landfill closure	—	2,000,000	2,000,000
Capital assets, net (Note 1)	34,759,986	2,984,800	37,744,786
Total assets	<u>42,522,714</u>	<u>7,080,946</u>	<u>49,603,660</u>
LIABILITIES			
Accounts payable	1,469,066	334,266	1,803,332
Deposits and deferred revenue	38,911	—	38,911
Long-term liabilities (Note 2):			
Due within one year	1,426,639	—	1,426,639
Due in more than one year	22,437,349	4,668,802	27,106,151
Total liabilities	<u>25,371,965</u>	<u>5,003,068</u>	<u>30,375,033</u>
NET ASSETS			
Invested in capital assets, net of related debt	12,921,592	2,984,800	15,906,392
Restricted for capital projects	492,445	—	492,445
Unrestricted	3,736,712	(906,922)	2,829,790
Total net assets	<u>\$ 17,150,749</u>	<u>\$ 2,077,878</u>	<u>\$ 19,228,627</u>

Nonmajor component units would be aggregated into a single column. Combining statements of the nonmajor components would be accorded the same status as combining statements for nonmajor funds (supplementary information).

**Sample City
Statement of Activities
Component Units
For the Year Ended December 31, 2002**

F-2

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School District	Landfill	Totals
Sample City School District							
Instructional	\$ 16,924,321	\$ 147,739	\$ 2,825,109	\$ —	\$ (13,951,473)	\$ —	\$ (13,951,473)
Support services	7,972,559	300	751,711	—	(7,220,548)	—	(7,220,548)
Operation of noninstructional services	1,523,340	557,726	359,092	—	(606,522)	—	(606,522)
Facilities acquisition and construction services	48,136	—	1,171	—	(46,965)	—	(46,965)
Interest on long-term debt	546,382	—	—	—	(546,382)	—	(546,382)
Unallocated depreciation (Note F)	4,171,760	—	—	—	(4,171,760)	—	(4,171,760)
Total—Sample City School District	<u>31,186,498</u>	<u>705,765</u>	<u>3,937,083</u>	<u>—</u>	<u>(26,543,650)</u>	<u>—</u>	<u>—</u>
Sample City Landfill							
Landfill operations	3,382,157	3,857,858	—	11,397	—	487,098	487,098
Total component units	<u>\$ 34,568,655</u>	<u>\$ 4,563,623</u>	<u>\$ 3,937,083</u>	<u>\$ 11,397</u>			<u>(26,056,552)</u>
General revenues:							
Payment from Sample City					21,893,273	—	21,893,273
Grants, entitlements, and contributions not restricted to specific programs					6,461,708	—	6,461,708
Investment earnings					674,036	207,727	881,763
Miscellaneous					19,950	2,514	22,464
Total general revenues					<u>29,048,967</u>	<u>210,241</u>	<u>29,259,208</u>
Change in net assets					2,505,317	697,339	3,202,656
Net assets—beginning					<u>14,645,432</u>	<u>1,380,539</u>	<u>16,025,971</u>
Net assets—ending					<u>\$ 17,150,749</u>	<u>\$ 2,077,878</u>	<u>\$ 19,228,627</u>

Sample City
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2002

G-1

The variance column is optional.		Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget Positive (Negative)
		Original	Final		
Budgetary fund balance, January 1	\$	3,528,750	\$ 2,742,799	\$ 2,742,799	\$ —
Resources (inflows):					
Property taxes		52,017,833	51,853,018	51,173,436	(679,582)
Franchise taxes		4,546,209	4,528,750	4,055,505	(473,245)
Public service taxes		8,295,000	8,307,274	8,969,887	662,613
Licenses and permits		2,126,600	2,126,600	2,287,794	161,194
Fines and forfeitures		718,800	718,800	606,946	(111,854)
Charges for services		12,392,972	11,202,150	11,374,460	172,310
Grants		6,905,898	6,571,360	6,119,938	(451,422)
Sale of land		1,355,250	3,500,000	3,476,488	(23,512)
Miscellaneous		3,024,292	1,220,991	881,874	(339,117)
Interest received		1,015,945	550,000	552,325	2,325
Transfers from other funds		939,525	130,000	129,323	(677)
Amounts available for appropriation		<u>96,867,074</u>	<u>93,451,742</u>	<u>92,370,775</u>	<u>(1,080,967)</u>
Charges to appropriations (outflows)					
General government:					
Legal		665,275	663,677	632,719	30,958
Mayor, legislative, city manager		3,058,750	3,192,910	2,658,264	534,646
Finance and accounting		1,932,500	1,912,702	1,852,687	60,015
City clerk and elections		345,860	354,237	341,206	13,031
Employee relations		1,315,500	1,300,498	1,234,232	66,266
Planning and economic developer		1,975,600	1,784,314	1,642,575	141,739
Public safety:					
Police		19,576,820	20,367,917	20,246,496	121,421
Fire department		9,565,280	9,559,967	9,559,967	—
Emergency medical services		2,323,171	2,470,127	2,459,866	10,261
Inspections		1,585,695	1,585,695	1,533,380	52,315
Public works:					
Public works administration		388,500	385,013	383,397	1,616
Street maintenance		2,152,750	2,233,362	2,233,362	—
Street lighting		762,750	759,832	759,832	—
Traffic operations		385,945	374,945	360,509	14,436
Mechanical maintenance		1,525,685	1,272,696	1,256,087	16,609
Engineering services:					
Engineering administration		1,170,650	1,158,023	1,158,023	—
Geographical information system		125,625	138,967	138,967	—
Health and sanitation:					
Garbage pickup		5,756,250	6,174,653	6,174,653	—
Cemetery:					
Personal services		425,000	425,000	422,562	2,438
Purchases of goods and services		299,500	299,500	283,743	15,757
Culture and recreation:					
Library		985,230	1,023,465	1,022,167	1,298
Parks and recreation		9,521,560	9,786,397	9,756,618	29,779
Community communications		552,350	558,208	510,361	47,847
Nondepartmental:					
Miscellaneous		—	259,817	259,817	—
Contingency		2,544,049	—	—	—
Transfers to other funds		2,970,256	2,163,759	2,163,759	—
Funding for school district		22,000,000	22,000,000	21,893,273	106,727
Total charges to appropriations		<u>93,910,551</u>	<u>92,205,681</u>	<u>90,938,522</u>	<u>1,267,159</u>
Budgetary fund balance, December 31	\$	<u>2,956,523</u>	<u>\$ 1,246,061</u>	<u>\$ 1,432,253</u>	<u>\$ 186,192</u>

Condition Rating of the City's Street System

	Percentage of Lane-Miles in Good or Better Condition		
	2002	2001	2000
Main arterial	93.2%	91.5%	92.0%
Arterial	85.2%	81.6%	84.3%
Secondary	87.2%	84.5%	86.8%
Overall system	87.0%	85.5%	87.3%

	Percentage of Lane-Miles in Good or Better Condition		
	2002	2001	2000
Main arterial	1.7%	2.6%	3.1%
Arterial	3.5%	6.4%	5.9%
Secondary	2.1%	3.4%	3.8%
Overall system	2.2%	3.6%	3.9%

Comparison of Needed-to-Actual Maintenance/Preservation (in Thousands)

	2002	2001	2000	1999	1998
Main arterial:					
Needed	\$ 2,476	\$ 2,342	\$ 2,558	\$ 2,401	\$ 2,145
Actual	2,601	2,552	2,432	2,279	2,271
Arterial:					
Needed	1,485	1,405	1,535	1,441	1,287
Actual	1,560	1,531	1,459	1,367	1,362
Secondary:					
Needed	990	937	1,023	960	858
Actual	1,040	1,021	972	911	908
Overall system:					
Needed	4,951	4,684	5,116	4,802	4,290
Actual	5,201	5,104	4,863	4,557	4,541
Difference	250	420	(253)	(245)	251

Note: The condition of road pavement is measured using the XYZ pavement management system, which is based on a weighted average of six distress factors found in pavement surfaces. The XYZ pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good or better condition (70-100), fair condition (50-69), and substandard condition (less than 50). It is the City's policy to maintain at least 85 percent of its street system at a good or better condition level. No more than 10 percent should be in a